

Recent Developments in ASEAN+3 Sustainable Bond Markets

Sustainable bond markets in ASEAN+3 maintained their growth trajectory in the second quarter (Q2) of 2021.⁶ Total bonds outstanding rose 13.1% quarter-on-quarter (q-o-q) in Q2 2021, which was almost similar to the growth of 13.3% q-o-q in the previous quarter, to reach a total of USD345.2 billion at the end of June (Figure 13). On a year-on-year (y-o-y) basis, market growth accelerated, with sustainable bonds gaining 53.5% in Q2 2021 versus 45.1% in the first quarter (Q1) of 2021. ASEAN+3 markets continued to be a significant source of sustainable bonds, comprising 19.0% of the global outstanding stock at the end of Q2 2021.

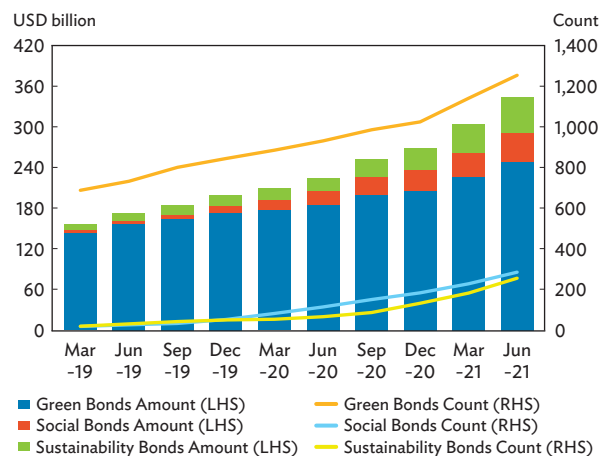
Sustainable bond markets in ASEAN+3 remained dominated by green bonds, which totaled

USD249.0 billion and accounted for 72.1% of the region's sustainable bonds outstanding at the end of June. Demand for green bonds was relatively stable in Q2 2021, with green bonds outstanding growing 9.6% q-o-q and 33.5% y-o-y versus 10.3% q-o-q and 27.3% y-o-y in Q1 2021. ASEAN member economies comprised 5.6% of the region's outstanding stock of green bonds at the end of June, while the PRC accounted for a majority share of 69.2% (Figure 14).

While green bonds enjoyed solid demand in Q2 2021, interest in social and sustainability bonds grew at an even more rapid pace. Social bonds outstanding grew 19.2% q-o-q and 121.7% y-o-y to USD42.9 billion at the end of June, accounting for 12.4% of ASEAN+3's outstanding sustainable bond total. Sustainability bonds were the fastest-growing sustainable bond category in Q2 2021, posting growth of 27.0% q-o-q and 180.9% y-o-y. At the end of June, sustainability bonds comprised 15.4% of the outstanding stock of ASEAN+3 sustainable bonds. The Republic of Korea accounted for the largest share of social bonds and sustainability bonds outstanding in ASEAN+3 with shares of 62.4% and 41.8%, respectively, followed by Japan with shares of 35.5% and 31.0%.

In Q2 2021, sustainable bond issuance slowed compared with the previous quarter, falling to USD49.7 billion from USD52.1 billion in Q1 2021 (Figure 15). The slower growth was mostly due to a decline in the issuance of green bonds to USD30.7 billion in Q2 2021 from USD35.1 billion in Q1 2021. Nonetheless, there is a strong momentum in sustainable bond issuance in the region. Total issuance of sustainable bonds in the first 6 months of the year reached USD101.8 billion, surpassing the 2020 full-year issuance of USD94.5 billion (Figure 16). The strong issuance in the first half of 2021 was fueled by active issuance of green bonds and sustainability bonds.

Figure 13: Outstanding Amount of Green, Social, and Sustainability Bonds in ASEAN+3 Markets



ASEAN = Association of Southeast Asian Nations, LHS = left-hand side, RHS = right-hand side, USD = United States dollar.

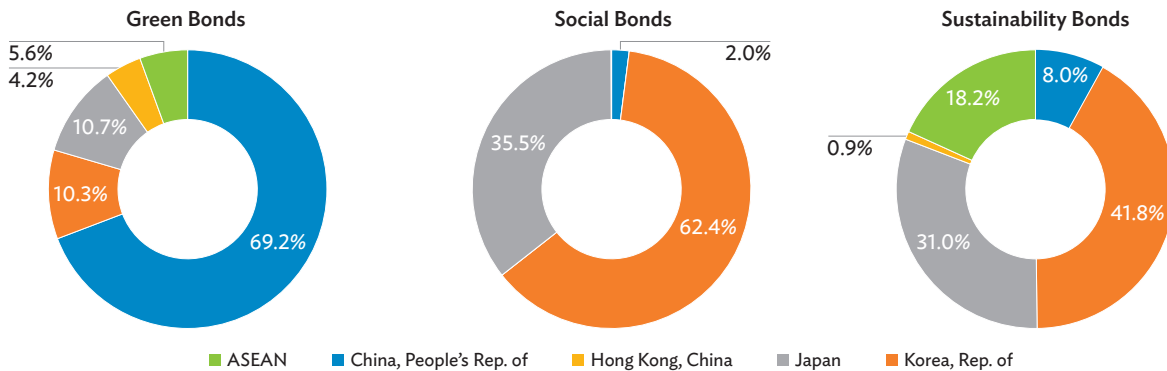
Notes:

1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Source: AsianBondsOnline computations based on Bloomberg LP data.

⁶ For the discussion on sustainable bonds, ASEAN+3 includes Association of Southeast Asian Nations (ASEAN) members Indonesia, Malaysia, the Philippines, Singapore, and Thailand, plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Figure 14: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Economy (share of total)



ASEAN = Association of Southeast Asian Nations.

Notes:

1. Data as of 30 June 2021.

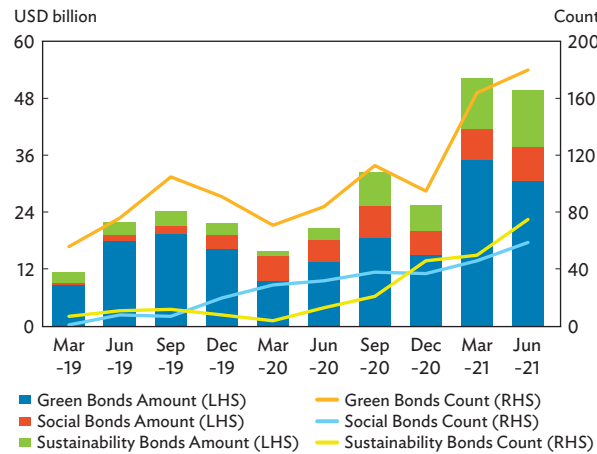
2. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

3. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

4. For social bonds, ASEAN share for 30 June 2021 is 0.04%.

Source: AsianBondsOnline computations based on Bloomberg LP data.

Figure 15: Quarterly Issuance of Green, Social, and Sustainability Bonds in ASEAN+3



ASEAN = Association of Southeast Asian Nations, LHS = left-hand side, RHS = right-hand side, USD = United States dollar.

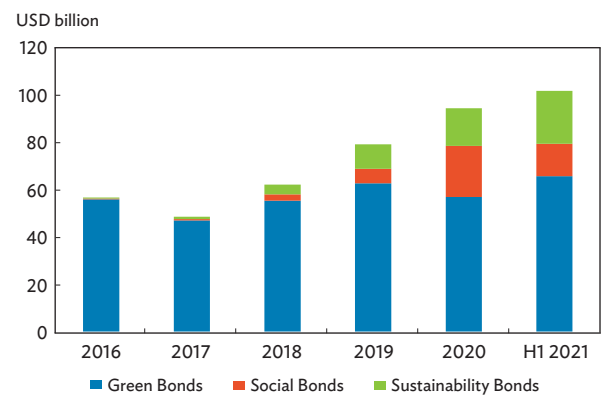
Notes:

1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Source: AsianBondsOnline computations based on Bloomberg LP data.

Figure 16: Issuance Volume of Green, Social, and Sustainability Bonds in ASEAN+3



ASEAN = Association of Southeast Asian Nations, H1 = first half, USD = United States dollar.

Notes:

1. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

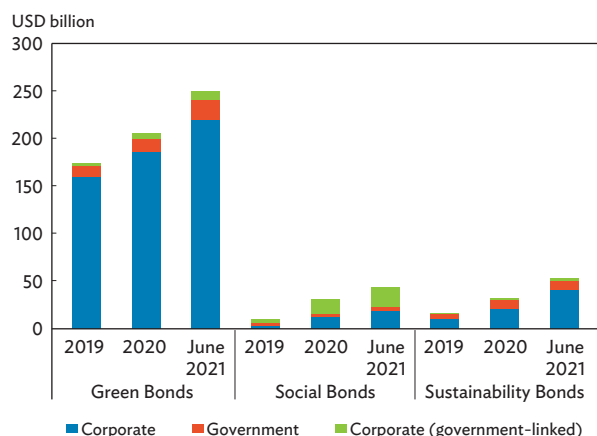
2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Source: AsianBondsOnline computations based on Bloomberg LP data.

Corporates are the dominant issuers in the ASEAN+3 sustainable bond market, accounting for 80.8% of sustainable bonds outstanding in the region at the end of June (Figure 17). Government issuers accounted for a 10.1% share, while government-linked corporates accounted for 9.2%. By bond category, corporates are by far the largest issuers in the green bond market,

accounting for an 88.1% share of the total at the end of June. At the same time, the share of green bonds issued by governments and government-linked corporates increased to 8.4% and 3.4%, respectively, at the end of June. from 6.7% and 2.9% at the end of December 2020. The shares of corporates rose in both the social and sustainability bond markets from the end of 2020 to Q2 2021, with the corporate sector accounting for

Figure 17: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Type of Bond

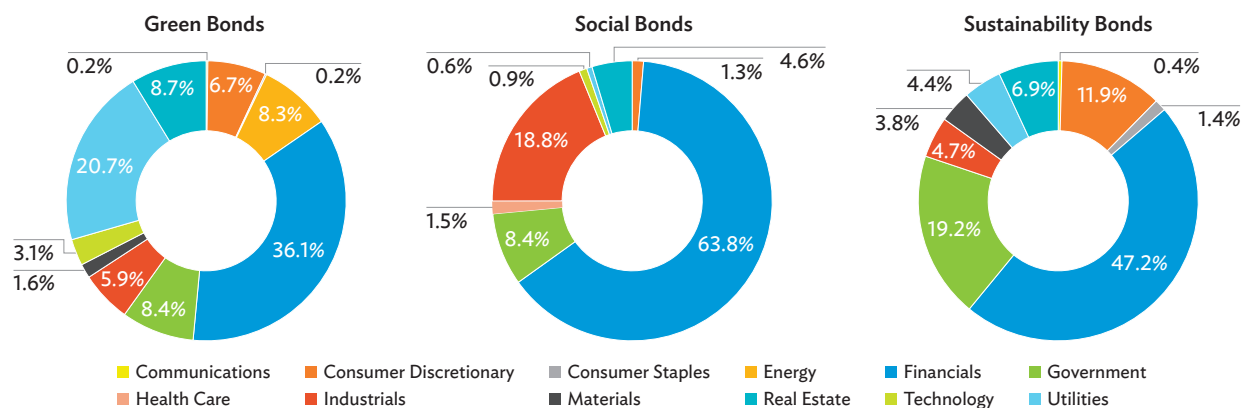


USD = United States dollar.
 Notes: Corporate denotes bonds issued by private sector corporations. Government bonds include bonds issued by sovereigns, regional governments, and local governments. Corporate (government-linked) denotes corporations with government affiliations.
 Source: AsianBondsOnline computation based on Bloomberg LP data.

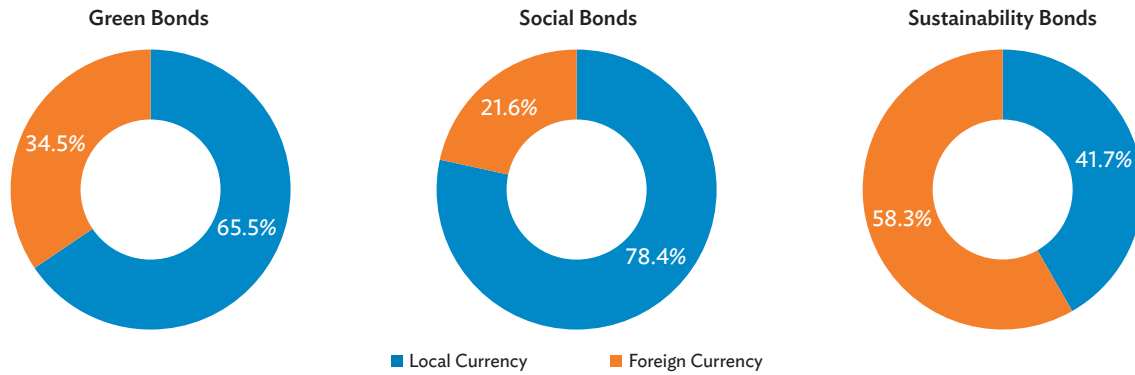
44.4% of social bonds and 75.5% of sustainability bonds outstanding at the end of June, up from 39.0% and 65.9%, respectively, at the end of December 2020.

By sector, financials continued to be the most dominant issuer of sustainable bonds. The green bond market has a relatively more diversified issuer base compared to social and sustainability bonds. Financials account for 36.1% of outstanding green bonds, 63.8% of social bonds, and 47.2% of sustainability bonds (Figure 18). By currency, green bonds and social bonds outstanding at the end of June were mostly denominated in a domestic currency versus a foreign currency, with LCY-denominated issuances comprising 65.5% and 78.4% of the market, respectively (Figure 19). On the other hand, sustainability bonds outstanding were mostly (58.3%) denominated in a foreign currency at the end of June.

Figure 18: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Sector of Issuer (share of total)



ASEAN = Association of Southeast Asian Nations.
 Notes:
 1. Data as of 30 June 2021.
 2. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
 3. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
 Source: AsianBondsOnline computations based on Bloomberg LP data.

Figure 19: Outstanding Green, Social, and Sustainability Bonds in ASEAN+3 by Type of Currency (share of total)

ASEAN = Association of Southeast Asian Nations.

Notes:

1. Data as of 30 June 2021.

2. ASEAN includes the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

3. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Source: *AsianBondsOnline* computations based on Bloomberg LP data.